



FOR IMMEDIATE RELEASE

June 13, 2007

FACT SHEET

SANDERS ANNOUNCES HE WILL SIGN FY08 BUDGET

COUNCIL'S UNANIMOUS VOTE INCLUDES REFORMS KEY TO MAYOR'S REFORM AGENDA

Mayor Jerry Sanders announced today that he will sign the final FY08 budget approved by a unanimous vote of the City Council on Monday. The \$2.9 billion budget incorporates all of the Mayor's reforms, including increased funding for deferred maintenance and street repairs, more money for pollution prevention efforts and a substantial commitment to Americans with Disabilities Act improvements and accelerated funding to pay down the City's pension and retiree healthcare liability. On the Mayor's recommendation, the Council also agreed to eliminate 639 Full Time Equivalents (FTE's) and maintain service levels.

The final budget includes tens of millions of dollars in savings exacted through the Mayor's Business Process Reengineering (BPR) efforts. These reforms will bring new efficiencies to City operations. The BPR recommendations for the City's Metropolitan Wastewater Department and Fleet Services were adopted by the Council as part of the FY08 budget. Under the Mayor's 2008 budget, City employment will drop from 11,416.35 FTE's to 10,777.85 FTE's as a result of the elimination of 639 FTE positions. The Mayor plans to eliminate another 250 FTE's as part of the FY09 budget process.

While the Mayor intends to sign the budget, he does intend to line item veto a separate measure passed by the Council on a 5-3 vote to use General Fund monies for social service programs. A separate veto message will be sent to the Council.

The changes made to the Mayor's original General Fund budget proposal amount to less than a \$1.3 million net or .114%.

MAYOR'S BUDGET INCLUDES FUNDING FOR CRITICAL OBLIGATIONS

The budget ultimately passed by the City Council is entirely based on the Five Year Plan issued by Mayor Sanders last November in advance of the FY08 budget deliberation process.

On the Mayor's recommendation, the budget will include funding to pay down some of the City's most critical financial obligations including:

- **Capital Improvements and Deferred Maintenance: Project values of \$38 million.** In order to begin addressing the City's general capital and maintenance needs (non-enterprise), the Mayor's budget dedicates \$5 million to facility improvements and \$33 million to street repair and storm drain improvements. (Total obligations of approximately \$900 million)
- **Americans with Disabilities Act (ADA) Improvements: \$13 million.** The Mayor's budget allocates \$13 million in FY08 to these federally mandated improvements. These include such projects as curb cuts and improved access to public facilities.
- **Storm Water System Improvements: \$18 million.** The City will dedicate \$18 million in new funding for FY08 toward complying with the requirements of the City's new storm water pollution prevention permit. This will ensure cleaner beaches. (Obligation increases to \$37 million annual payment next year)
- **Funding the City's Pension System: \$165 million.** The Mayor believes that the City must pay down its pension liability immediately and will contribute \$20 million in addition to the Annual Required Contribution (ARC) of \$137.7 million in FY08. This amount will pay down the Unfunded Actuarial Accrued Liability (UAAL) and allow the City to immediately begin paying into the principal with no negative amortization. In addition, the City has budgeted \$7.3 million to begin to repay the pension system for assets spent inappropriately on retiree health in prior years. The Mayor is committed to fundamental reform of the pension system when all of the City's collective bargaining units are at the negotiating table during FY08. (\$1.2 billion UAAL under the EAN method)
- **Funding a Retiree Healthcare Trust: \$25 million.** In addition to including the amount necessary to pay current year expenses, the City's budget also includes funding to continue building a trust to cover the future liability for retiree health. The retiree health liability is currently \$1 billion. Left unaddressed, the liability could double within 10 years.
- **Funding the City's General Fund Reserves: \$2.9 million.** Given current fiscal year 2007 year-end projections (\$59.3 million as of June 30), this amount will bring the City's reserves to approximately \$62.7 million, or 5.7% of the total General Fund. The Mayor's goal is to increase the Reserves to 8% by FY12. Strong reserves are a key component to a strong credit rating, thus decreasing the cost of borrowing. (a projected \$34 million in addition funding is needed to achieve 8% funding)
- **Funding General Liability Fund Reserves: \$5 million.** The City currently has over \$100 million in liability claims and \$0 in reserves to address these claims. By establishing an acceptable reserve level, the City provides needed protections for the General Fund. (\$50 million needed to achieve 50% funding)

The Mayor's future budgets will continue these funding trends and will include contributions for the City's Workers' Compensation Reserves. At present, the City has approximately \$150 million in outstanding claims and approximately \$18 million in reserves. By establishing an acceptable reserve level, the City will better protect its General Fund (\$57 million needed to achieve 50% funding).

BASIC CITY SERVICES PRESERVED IN SANDERS BUDGET

As a result of the Mayor's aggressive streamlining and cost-cutting, the Mayor was able to balance the City budget while maintaining basic municipal services.

The City's Parks, Libraries and Arts and Cultural Programs will maintain their current service levels.

- The Park and Recreation Department will maintain recreation center and skate park hours of operations at their FY07 levels, continuing to operate an average of 40-hours per week, year-round.
- Library hours will remain at their FY07 levels.
- The City of San Diego Commission for Arts and Culture will be able to distribute \$6.9 million to qualified non-profit organizations in FY08, the same amount it did over the past two years.

FY08 BUDGET REFORMS CONTINUE REFORMS LAUNCHED IN FY07

On June 7, 2006, Mayor Sanders signed the City's FY07 \$2.6 billion budget into law, the first to be crafted and shepherded by a strong mayor in over 70 years. The FY08 budget builds upon the hallmark reforms begun last year and:

- Accurately reports the City's projected revenues and expenses, including a vacancy factor for City departments.
- Concludes the effort to identify and eliminate funding of supplemental or "phantom" positions throughout the City.
- Increases the budgets of the San Diego Police and Fire departments by \$40 million to address long-ignored needs such as equipment.
- Fully and accurately funds overhead costs in City departments.
- Appropriately places employees in their true cost centers.
- Commits to an audit of enterprise funds every 3 years to ensure the appropriateness of charges.

- With the establishment of the Independent Rates Oversight Committee (IROC), the Mayor has also committed to performing financial and performance audits on the water and wastewater budget every year.



Mayor Jerry Sanders

Notice of Line Item Veto

June 13, 2007

As part its unanimous approval of my FY08 City budget, the City Council authorized a \$465,000 reduction in funds from General Fund reserves to pay for the homeless emergency shelter for this year. **It is my intent to veto this change when the final budget document arrives for my signature.** Rather than diminish our reserve funds, I encourage the City Council to join me in asking the Housing Commission and Centre City Development Corporation to work cooperatively to find a solution for the shelter's funding needs.

On June 5, while acting in its capacity as the Housing Authority, the City Council directed the Housing Commission to return on September 11, 2007 with information regarding permanent funding options within a comprehensive plan for the homeless emergency shelter program. I believe the Council's decision to reduce General Fund reserves to pay for the emergency shelter program is premature given that direction and scheduled hearing.

I continue to state that I do not believe it is appropriate to use General Fund monies for social service programs. In the May 2, 2007 *Report to the City Council; FY 2008 Social Service Program* my office proposed fully funding the homeless emergency shelter with Community Development Block Grant (CDBG) dollars. This is an appropriate use of these federal funds. With all the needs facing the city, I believe that there is more appropriate use of tax payer dollars.

Therefore **I will be line item vetoing this piece of the FY08 budget** and ask the City Council to wait until the Housing Commission presents its plan before reducing the City's reserves and before you have a chance to take a comprehensive approach on this issue.

Mayor Jerry Sanders

Date